1.5 Comparative Advantage

**Objective:**

* **What is the comparative advantage model?**
* **How can free trade benefit individuals and societies?**
* **How can we determine favorable terms of trade for two parties?**

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| Definition:  Reason for: | Specialization |
| Definition: | Absolute Advantage |
| Definition: | Comparative Advantage |
| Fish Cheese  Chris  Pat | **(Class Notes)**  Explain the ratio (dot dot) method for calculating comparative advantage.  Explain how this illustrates the principle of comparative advantage. |
|  | **(Class Notes)**  Why do people trade? |
|  | How does trade create wealth? |